

## Message Text

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ACTION PM-04

INFO OCT-01 EA-07 ISO-00 OMB-01 AID-05 TRSE-00 CIAE-00

H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02

SS-15 USIA-06 /060 W

----- 099226

P 120415Z NOV 75

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC PRIORITY 1707

INFO AMEMBASSY BANGKOK PRIORITY

AMEMBASSY JAKARTA PRIORITY

AMEMBASSY MANILA PRIORITY

JCS PRIORITY

CSA PRIORITY

CNO PRIORITY

CSAF WASHDC PRIORITY

CMC PRIORITY

CINCPAC PRIORITY

SECDEF WASHDC/ISA PRIORITY

C O N F I D E N T I A L KUALA LUMPUR 6625

E.O. 11652: GDS

TAGS: MASS, MY

SUBJ: FY 1976 AND FY 1977 MILITARY SECURITY: MALAYSIA

REF: STATE 258224 R 310125Z OCT 75

1. FOLLOWING INFORMATION SUPPLIED IN RESPONSE TO PARA 5 REFTTEL:

A. GOM HAS INDICATED IT WILL ACCEPT AND CONSUMMATE CREDIT AGREEMENT AT LEVELS INDICATED IF CONGRESS APPROVES EXECUTIVE BRANCH REQUEST.

B. PRIORITY OF MAJOR ITEMS IS: 1) M-16 RIFLES; 2) S-61 HELICOPTERS; 3) UH-1H HELICOPTERS; 4) V 150 ARMORED CARS; 5) LST'S; 6) 105 MM HOWITZER.

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C. YES. YES,

CREDIT WILL BE USED TO UPGRADE EXISTING CAPABILITIES AND REPLACE OBSOLETE OR UNSUITABLE EQUIPMENT COMPATIBLE WITH REQUIREMENTS.

D. MILITARY JUSTIFICATION FOR CREDIT IS STRENGTHENING MALAYSIAN CAPABILITY TO DEAL WITH INCREASING COMMUNIST INSURGENCY.

E. NO GRANT MATERIAL PROGRAM. LIMITED GRANT TRAINING PROGRAM DOES NOT ALLOW FOR TRAINING NECESSARY FOR INTRODUCTION OF ITEMS IN PARA 2 OF REFTEL. CREDIT WILL BE USED FOR THIS TRAINING AND TO COVER HIGH PRIORITY, UNPROGRAMMED TRAINING THAT ARISES.

F. EVEN PRIOR TO FALL OF INDOCHINA, MALAYSIAN COMMUNIST INSURGENTS BASED IN THAI BORDER REGION HAD BEGUN AN ATTEMPT TO REESTABLISH THEMSELVES IN THEIR OLD HAUNTS IN PENINSULAR MALAYSIA PROPER. COMMUNIST VICTORY IN VIETNAM AND UNCERTAINTIES REGARDING VIETNAMESE INTENTIONS HAVE GIVEN PAUSE NOT ONLY TO MALAYSIA, BUT TO OTHER U.S. ALLIES IN SOUTHEAST ASIA, THAILAND, THE PHILIPPINES AND INDONESIA. ASSISTANCE IN MODEST EXPANSION OF MALAYSIAN ARMED FORCES TO MEET THE EXISTING THREAT FROM VIETNAM IS BELIEVED TO BE IMPORTANT IN THE OVERALL CONTEXT OF THE SECURITY OF NON-COMMUNIST SOUTHEAST ASIA AND COINCIDES WITH THE ANNOUNCED INTENTION OF THE U.S. TO REMAIN A FORCE FOR STABILITY IN THE REGION.

G. CREDIT SALE PROVIDES ONLY MODEST ADDITION TO MALAYSIAN CAPABILITIES AND SHOULD NEITHER AFFECT THE REGIONAL ARMS BALANCE NOR CONTRIBUTE TO AN ARMS RACE.

H. MALAYSIA, WHILE ONE OF THE MOST PROSPEROUS AND BEST ADMINISTERED OF THE DEVELOPING COUNTRIES, HAS THE INEVITABLE PROBLEM OF GUNS AND BUTTER. IN ORDER TO MAINTAIN INTERNAL STABILITY THE GOVERNMENT FEELS IT MUST CONTINUE TO PUT A GREATER PART OF ITS REVENUE AND BORROWINGS INTO ADMINISTRATION OF THE CIVILIAN ECONOMY AND INTO DEVELOPMENT. AT THE SAME TIME, IT IS FACED WITH AN IMMEDIATE NEED TO IMPROVE AND TO INCREASE ITS MILITARY CAPABILITY TO CONFRONT ARMED SUBVERSION. CONFIDENTIAL

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THUS THE MODEST U.S. CREDIT ASSISTANCE PROPOSED IN REFTEL WILL MAKE A SMALL CONTRIBUTION TOWARDS EASING THE GOM'S FINANCIAL PROBLEM WHILE AT THE SAME TIME ENSURING THAT U.S. EQUIPMENT WILL CONTINUE TO BE FAVORED.

I. PROPOSED FMS CREDIT SHOULD NOT CREATE A REPAYMENT OBLIGATION WHICH WILL PLACE AN UNDESIREABLE BURDEN ON MALAYSIA'S FOREIGN EXCHANGE RESOURCES WHICH AMOUNTED TO US\$ 1.442 BILLION

ON SEPTEMBER 30, 1975, ENOUGH TO FINANCE ALMOST SIX MONTHS OF IMPORTS. GOM FEDERAL DEPT TOTALLED US\$3.76 BILLION AS OF MARCH 1975, SIXTY PERCENT OF DEBT HAS ORIGINAL MATURITY OF 12 TO 20 YEARS. TOTAL DEBT IS WELL WITHIN CAPABILITIES OF GOM TO FINANCE. WE DO NOT BELIEVE PROPOSED CREDITS WILL PRODUCE EXCESSIVE CLAIMS ON FUTURE GOM BUDGETS OR OTHERWISE UNDULY INTERFERE WITH MALAYSIA'S PLANS FOR SOCIO-ECONOMIC DEVELOPMENT. LONG-TERM PROSPECTS FOR ECONOMY ARE GOOD WHICH SHOULD GENERATE SIGNIFICANT REAL INCREASES IN GOVERNMENT REVENUES TO PERMIT FINANCING OF BOTH REASONABLE ADDITIONAL SECURITY MEASURES AND DEVELOPMENT PLANS.

J. LIMITED ARMS PURCHASES FROM THIRD COUNTRIES IN EQUIPMENT AREAS OTHER THAN THOSE OF PARA 2 REFTL (I.E. TRUCKS, ETC.) HAVE LITTLE DIRECT BEARING ON EXTENSION OF PROPOSED 1976 CREDIT.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** MILITARY EQUIPMENT, MILITARY ASSISTANCE PROGRAMS, CREDIT AGREEMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 12 NOV 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** CunninFX  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975KUALA06625  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
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**Line Count:** 132  
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**Office:** ACTION PM  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 STATE 258224  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CunninFX  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 16 JUL 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <16 JUL 2003 by ElyME>; APPROVED <17 NOV 2003 by CunninFX>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FY 1976 AND FY 1977 MILITARY SECURITY: MALAYSIA  
**TAGS:** MASS, MY, US  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006